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## Viewing cable 06BOGOTA9120, COAL IN COLOMBIA -- ENJOYING A POST-STRIKE BOOM

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Every cable message consists of three parts:

- The top box shows each cables unique reference number, when and by whom it originally was sent, and what its initial classification was.
- The middle box contains the header information that is associated with the cable. It includes information about the receiver(s) as well as a general subject.
- The bottom box presents the body of the cable. The opening can contain a more specific subject, references to other cables ([browse by origin](#) to find them) or additional comment. This is followed by the main contents of the cable: a summary, a collection of specific topics and a comment section.

To understand the justification used for the classification of each cable, please use this [WikiSource](#) article as reference.

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If you find meaningful or important information in a cable, please link directly to its unique reference number. Linking to a specific paragraph in the body of a cable is also possible by copying the appropriate link (to be found at the paragraph symbol). Please mark messages for social networking services like Twitter with the hash tags **#cablegate** and a hash containing the reference ID e.g. **#06BOGOTA9120**.

Reference ID	Created	Released	Classification	Origin
<a href="#">06BOGOTA9120</a>	<a href="#">2006-10-03 19:52</a>	<a href="#">2011-08-30 01:44</a>	<a href="#">CONFIDENTIAL</a>	<a href="#">Embassy Bogota</a>

Appears in these articles:

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VZCZCXYZ0033  
RR RUEHWEB

DE RUEHBO #9120/01 2761952  
ZNY CCCCC ZZH  
R 031952Z OCT 06  
FM AMEMBASSY BOGOTA  
TO RUEHC/SECSTATE WASHDC 9533  
INFO RHMFISS/DEPT OF ENERGY WASHINGTON DC  
RUCPDOG/DEPT OF COMMERCE WASHDC

C O N F I D E N T I A L BOGOTA 009120

SIPDIS

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E.O. 12958: DECL: 10/03/2016  
TAGS: [ENRG](#) [EMIN](#) [ETRD](#) [CO](#)  
SUBJECT: COAL IN COLOMBIA -- ENJOYING A POST-STRIKE BOOM

REF: A. A.BOGOTA 5486

[1](#)B. B.BOGOTA 7731

Classified By: ECON COUNSELOR LAWRENCE J.GUMBINER FOR REASONS 1(B) AND (D)

1.(U) Summary. Colombian and foreign coal mining companies along with various auxiliary companies and GOC officials gathered for their annual conference in Santa Marta September 21-22. The GOC estimates that Colombia has 17 billion tons of extractable coal, the largest such reserves in Latin America, and enough for export for the next 25 years. The industry provides direct or indirect employment for some 100,000 Colombians. Industry bottlenecks include transportation infrastructure and the global scarcity of tires for coal transport trucks. Environmental concerns about dispersion of coal dust in Santa Marta bay (a coal port and tourist area) have not gained political traction in the face of the industry's strong economic performance. Econoff also visited the Drummond mine and port where recent potential gas finds (ref b) and security improvements in the rail line were reviewed. End Summary.

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Bullish on Coal in Colombia  
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2.(U) Colombia's mining agency (INGEOMINAS) estimates that Colombia has a supply of 17 billion tons of coal reserves, a 25-year supply (compared to a 5-year supply of petroleum reserves). These are the largest known reserves in Latin America and the 6th largest in the world. Although many of the reserves are in traditional zones of conflict in the Departments of Cesar and Santander, INGEOMINAS considers them commercially viable. Coal production reached 59 million tons in 2005, a 10 percent increase over 2004, and jumped an additional 40 percent from January-May 2006 vs. the same period in 2005. These figures represent production prior to the crippling mid-year strikes at the Cerrejon and Drummond mines which lasted five weeks (Ref A). Post strike figures have yet to be released. Coal accounts for 46 percent of all direct foreign investment in Colombia, 12.3 percent of total exports and 10 percent of exports to the US. It provides direct employment for 25,000 Colombians, and indirect employment estimated at 75,000 individuals. 70 percent of all coal produced is sold to power plants for electricity generation in the US and Europe. The importance of the industry to the GOC goes beyond the numbers; Minister of Mines and Energy Hernan Martinez told the Santa Marta conference that the industry plays an important role in providing employment and income for working class Colombians, contributing to lower crime rates and bolstering national security by offering an alternative to the armed conflict.

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Industry Bottlenecks: Infrastructure and Tires  
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3.(U) Industry insiders at the conference pointed to two consistent bottlenecks as impediments to increased production: inadequate transportation infrastructure and the scarcity of tires for coal transport trucks. On infrastructure, the Chief of Planning for the Transportation Ministry, Geraldo Dominguez stated that the GOC plans to expand the rail line in the department of Cesar (where the Drummond mine is located), as well as expand port facilities for coal in Santa Marta and Barranquilla. Dominguez added that the GOC plans to explore the option of transporting coal via river routes in Capulco (a small port on the Magdalena River.)

4.(U) The tire scarcity issue was mentioned by virtually all participating companies. Coal trucks that transport coal from extraction point to the loading area require specialized tires due to the weight of their cargo. These tires cost 40,000 USD and have an average life of 2000 road hours. There are only two manufacturers of the tires -- Firestone and Michelin -- and they are unable to keep up with current worldwide demand. There will be no relief in sight until a new manufacturing facility opens in Brazil in an estimated three years. Multiple industry sources told Econoff that coal production could be increased substantially if more tires were available.

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Environmental Concerns Center on Santa Marta Bay  
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5.(U) The president of Colombia's Economic Society, Dr. Amika Acosta, raised concerns about the long term environmental impact of coal dust in the Santa Marta Bay. This is a big port area that is being touted as potential tourist area due to cruise ships and the nearby Tayrona National Park. He complained that this could have serious impact on the long term health and future economic prospects for Santa Marta. Former Colombian Environment Minister Juan Mayr -- a native of Santa Marta -- echoed those concerns. He told EconCouns that the process of delivering and loading coal at seaside ports on open barges to transport vessels was causing noticeable damage to the Bay and surrounding coastline. Mayr advocates concentrating coal exports in one or two ports rather than the current system of dotting the coast with numerous company-owned facility. Puerto Bolivar in La Guajira presently used for Cerrejon exports, would be the most logical site, according to the former minister.

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Drummond Churns Ahead With Post Strike Production  
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6.(C) Econoff also had the opportunity to visit the Drummond Mine in La Loma and the port facility in Santa Marta. The modern strip mine facility stretches for 50,000 acres, and is a 24/7 operation that extracts 65,000 tons of coal daily. Drummond then transports this coal along a private rail line in 100-car trains, 112 miles to the Santa Marta port. This coal is mixed at the port facility to get the proper grade and loaded via shoots on the water to coal ships for transport to US markets. Company officials confirmed that Drummond plans to spend USD 5 million this year to further explore potential natural gas on the edge of their property in La Loma (Ref B). Drummond officials stand by their estimate of 1.7 trillion cubic feet of methane, and told econoff that all data to date indicate that the gas is there. Ministry of Mines and Energy officials have complained privately to emboffs that they have yet to see the company's data, and have been critical of Drummond going forward publicly with the claim without confirmation from the GOC.

7.(C) Security for the Drummond operation is tight, and there has been noticeable improvement in recent years. The company reports that their rail line from La Loma to Santa Marta (which is also used by 2 other Colombian mining companies) has had no attacks this year and only 10 attempted attacks in 2005. This compares with 20 attacks in 2004. Drummond officials attribute the improvement to ramped up private security operations, which involves roving security at transport times every kilometer along the rail line (Note: many of these private security guards are former paramilitary who had operated in the area. End Note).

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Comment  
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8.(U) Comment: Colombia's potential as a major coal exporter has always been hampered by the risks and costs associated with security. As security conditions improve, and high energy prices make extraction of remote mines profitable, we would expect continued strong growth in the Colombian coal industry. The environmental concerns of critics could gain traction should the growing tourist industry in Santa Marta begin to flex political muscle, but we do not expect that to occur in the short term. End Comment.  
WOOD

=====CABLE ENDS=====